GOVERNMENT OF INDIA
TEXTILES
LOK SABHA

UNSTARRED QUESTION NO:3847
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MULTI FIBRE AGREEMENT
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Will the Minister of TEXTILES be pleased to state:

(a) whether the Textile Industry has demanded stable policy environment, the need to support modernization through financing technological upgradation and to help build global brands for Indian textiles; and

(b) if so, the steps taken by the Union Government to make Indian Textile Industry globally competitive, especially after the Multi-Fibre Agreement regime?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF TEXTILES (SHRI E.V.K.S. ELANGOVAN)

(a) & (b) The Government is aware of the need to support modernization through financing technological upgradation and to help build global brands for Indian textiles. The Government is implementing various schemes, like the Technology Upgradation Fund Scheme (TUFS) and the Scheme for Integrated Textile Parks (SITP), to enhance the potential of India's textiles industry by equipping it with state of the art technology and world class infrastructure. In addition, the Government is providing financial support under the Market Development Assistance (MDA) and the Market Access Initiative (MAI) Schemes to the textiles sector, through various Textiles Export Promotion Councils, to enable the industry to enhance its share in the global market for textiles.

Various steps have been taken by the Government for the growth of textiles industry, which are as under: -

i) 100% Foreign Direct Investment is allowed in the textiles sector under the automatic route.

ii) The Government has de-reserved readymade garments, hosiery and knitwear from the Small Scale Industry (SSI) sector.

iii) The Technology Upgradation Fund Scheme (TUFS) has been made operational from 1-4-1999 to facilitate the modernisation and upgradation of the sector. The TUFS has been extended beyond 31.3.2007 and has been modified in consultation with the industry and approval of the Competent Authority w.e.f. 1st November 2007.The Scheme is now in operation. For the speedy modernisation of the textiles processing sector, Government has introduced, w.e.f 20.4.2005, a credit linked capital subsidy scheme @10% under TUFS, in addition to the existing 5% interest reimbursement.

iv) A new "Scheme for Integrated Textile Parks" has been formulated by merging this "Scheme for Apparel Parks for Exports" and the "Textiles Centre Infrastructure Development Scheme",in order to expand the production base of the textiles and garment sector.

v) The fiscal duty structure has been generally rationalised to achieve growth and maximum value addition within the country. Except for mandatory excise duty on man-made filament yarns and man-made staple fibres, the whole value addition chain has been given the option of excise exemption.

vi) The import of specified textiles and garment machinery has been allowed at a concessional rate of customs duty to encourage investment and to make our textiles product competitive in the global market. The cost of machinery has also been reduced through fiscal policy measures.

vii) Duty-free import of 21 items of trimmings and embellishment items is allowed to garment exporters. This can be upto 3% of their actual export performance during the previous year.

viii) In the 2004-05 Budget, the entire textile sector, except for man-made fibre and filament yarn was provided optional exemption from excise duty.In the 2005-06 Budget, Central Value-aided Tax (CENVAT) on Polyester Filament Yarn has been reduced from 24% to 16%.These modifications in fiscal levies aim at attracting more investments for modernization of textile sector.

ix) To facilitate import of state of the art machinery to make our products internationally competitive in post quota regime, in 2005-06 Budget, the customs duty on textile machinery has been brought down to 10% except 23 machinery appearing in List 49 which attracts Basic Customs Duty (BCD) of 15%. The concessional duty of 5% continues to be at 5% on most of the machinery items.

x) Government has launched the Debt Restructuring Scheme w.e.f. Sept., 2003 with the principal objective to permit banks to lend to the textile sector at 8-9% rate of interest.

xi) In addition, the government has introduced, since July'07, several relief measures for Textiles exporters.The measures are as under:

DEPB rates enhanced by 3% for 9 sectors including textiles (also handlooms), RMGs and handicrafts. For other items, DEPB rates enhanced by 2%.

ECGC premium reduced by 10%.

Amount of Rs.600 crore released for clearing arrears of CST reimbursement and terminal excise duty.

Duty drawback rates enhanced by 10-40% of the existing rates.

Subvention on credit rate allowed upto 4% including interest subsidy of 2%.

Refund of service tax paid by exporters on services linked to export of goods viz port services for exports, transport of goods by road from container depot to port of export, general insurance services for insurance of goods for export, technical testing and analysis agency services and inspection and certification services, storage & warehousing services and clearing activity services.

Customs duty on intermediates for Polyester staple fibre and polyester filament yarn reduced from 7.5% to 5%.

Customs duty on paraxylene, a raw material for the intermediate PTA reduced from 2% to 0%.

Customs duty reduced on other man-made filament yarn & staple fibres of acrylic & viscose from 10% to 5%.

Customs duty reduced in spun yarn of man-made staple fibres & filament yarn (other than nylon) from 10% to 5%.

Customs duty on polyester chips is reduced

from 7.5% to 5%.